

VZCZCXRO3603  
PP RUEHDE RUEHDIR  
DE RUEHDO #0590/01 2320612  
ZNY CCCCC ZZH  
P 190612Z AUG 08  
FM AMEMBASSY DOHA  
TO RUEHC/SECSTATE WASHDC PRIORITY 8152  
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY  
RHMFISS/USAFCENT SHAW AFB SC PRIORITY  
RUEKJCS/SECDEF WASHINGTON DC PRIORITY  
RHEHAAA/NSC WASHINGTON DC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
RHMFISS/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY  
RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY  
RBDHDZA/COMUSNAVCENT PRIORITY  
RHMFISS/COMSACCENT MACDILL AFB FL PRIORITY  
RUEAIIA/CIA WASHINGTON DC PRIORITY  
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY  
RHMFISS/NGA HQ BETHESDA MD PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 DOHA 000590

SIPDIS

E.O. 12958: DECL: 08/19/2018

TAGS: [ENRG](#) [EPET](#) [ECON](#) [TRGY](#) [QA](#)

SUBJECT: EXXONMOBIL ASSESSES FOUR TYPES OF RISK TO THE  
COMPANY IN QATAR, ALL MANAGEABLE

REF: A. DOHA 586  
[1](#)B. DOHA 151

Classified By: Classified By: Amb. Joseph LeBaron, reasons 1.4 (b) and  
(d).

-----  
(C) KEY POINTS  
-----

-- ExxonMobil identifies four types of risk to its huge exposure in Qatar, but the company hedges none of it, according to ExxonMobil-Qatar President and CEO Alex Dodds.

-- Political Risk: "Low." ExxonMobil assesses the risk of nationalization of energy assets is low, though the trend is for Qatar Petroleum (QP) to take larger equity stakes in its joint ventures with foreign firms.

-- Security Risk: "Serious." Qatar's proximity to Iran and the vulnerability of its energy infrastructure to terrorist attacks create serious security risks. Still, ExxonMobil would likely rebuild after an attack.

-- Market Risk: "Decreasing." Qatar is overcoming market challenges by investing heavily in mega-tankers to transport liquefied natural gas (LNG) to distant markets and using contracts that allow cargoes to be diverted when prices move higher in other markets.

-- Reservoir Risk: "Low." Qatar's enormous North Field is able to accommodate current operations and planned projects, though a lack of scientific data creates some uncertainty for the long-term.

-----  
(C) COMMENTS  
-----

-- ExxonMobil has a majority of the foreign energy business in Qatar and soon will obtain 20 percent of its global revenue from the country. As such, the strategic-level views of ExxonMobil-Qatar's leadership on business risks in Qatar carry particular weight.

-- Despite the business risks in Qatar, there is no shortage of other firms trying to get in on the North Field once the moratorium is lifted in 2011. Major players like Chevron and

BP have set up offices just to build relationships and position themselves for the future.

-- Natural gas is now a seller's market, and Qatar will increasingly be in the driver's seat vis-a-vis foreign companies.

END KEY POINTS AND COMMENTS.

11. (C) ExxonMobil-Qatar President and CEO Alex Dodds told the Ambassador during an August 14 introductory call that his company and other energy firms face substantive risks in Qatar, though the profits are lucrative enough to keep them here anyway. Dodds noted that when existing projects are completed in a few years, ExxonMobil's capital equity in Qatar would exceed USD 24 billion. He admitted that the company does not/not hedge for the risks.

12. (C) Dodds described four forms of risk faced by energy firms and the ways that ExxonMobil thinks about each:

13. (C) Political Risk: Nationalization of Western interests in Qatar is unlikely, though there is a trend toward state-owned Qatar Petroleum (QP) taking a larger equity stake in joint ventures (see Ref A). (Note: ExxonMobil has between a 10-30 percent stake in its various projects and 30 percent will be on the high end of future foreign participation.) Dodds opined that Qatar was much safer politically for investments than most other emerging energy centers, such as West Africa and China.

DOHA 00000590 002 OF 002

14. (C) Security Risk: The Amir is "walking a tightrope" between his energy partnerships with the West and his country's physical location in between more powerful states, particularly Iran. Dodds pointed out the irony of how the Amir views the U.S. bases in Qatar as strategic protection, but they may actually make Qatar target number one in the event of a U.S.-Iran confrontation. Dodds conceded that energy facilities at Ras Laffan and offshore are vulnerable to terrorist attacks. He said it would be "catastrophic but not systemic" if a platform were taken out; ExxonMobil would likely choose to reinvest/rebuild. Moreover, the LNG production trains at Ras Laffan are discrete enough that if one were attacked it probably wouldn't affect the others.

15. (C) Market Risk: Qatar occupies an unenviable location far from major consuming markets in Asia, Europe, and North America. However, the advent of advanced LNG technology, larger transport ships, and the size of Qatar's reserves have given it economies of scale which dwarf its competitors (e.g., one wellhead off Qatar's north shore can produce 25 times that of the same well in the Gulf of Mexico). Dodds said the fact that LNG from the Middle East is now economically viable in the United States should be a "wake-up call" that gas has become a seller's market. Qatar has far more buyers than they are able to supply.

16. (C) While the country will likely continue selling to the United States so that it has a diversified customer base, current contracts are set so that cargoes can be diverted when spot prices are higher elsewhere. Dodds assessed this would start happening "more often than not" with shipments ostensibly bound for the United States, and Qatar's production capabilities are driving the development of a global gas spot market. Separately, Qatari officials are skittish about doing business in the U.S. because of concern (somewhat unreasonable in Dodds' view) that the IRS will tax Qatar's exports, including all the way back to unrelated QP profits in Qatar. To avoid these concerns, Dodds said the title to LNG shipments currently switches in international waters while the cargoes are on their way to the U.S. (See Ref B for more details on Qatar's concern over the tax status of its U.S. business operations.)

¶7. (C) Reservoir Risk: At over 900 trillion cubic feet of proven natural gas reserves, Qatar's North Field is so massive that the research on it is still not completed. Concerns over the geological stability of rapid development of the field helped prompt Qatar to declare a moratorium on new projects until at least 2011. Despite these concerns, the field is easily able to accommodate the current and planned projects.

LeBaron